

MOODY'S UPGRADES UNDERLYING RATING TO A2 FROM A3 TO DOVER (NH) AFFECTING \$69.9 MILLION IN PARITY DEBT, INCLUDING THIS ISSUE

A2 RATING ASSIGNED TO DOVER'S \$14.28 MILLION GO BONDS

Dover (City of) NH
Municipality
New Hampshire

Moody's Rating

Issue	Rating
General Obligation Bonds	A2
Sale Amount	\$14,280,000
Expected Sale Date	06/11/03
Rating Description	General Obligation, Unlimited Tax

NEW YORK, June 9, 2003 -- Moody's Investors Service has assigned an A2 rating to the City of Dover's (NH) \$14.28 million General Obligation Bonds. Concurrently, Moody's has upgraded the city's underlying rating to A2 from A3 affecting \$69.9 million in parity debt, including this issue. The current issue is secured by the city's unlimited tax pledge and proceeds will fund a variety of school, water, sewer and other projects. The rating reflects the city's stable financial operations, rapidly growing tax base and manageable debt position supported by strong debt policies.

FINANCIAL OPERATIONS STABLE AFTER YEARS OF IMPROVEMENT

Moody's expects the city's financial operations to remain stable after several years of improvement, given a policy to maintain at least 6% undesignated fund balance. Since 1996, when General Fund reserves were a narrow 3.5% of revenues, consistent surplus operations allowed the city to increase General Fund balance to \$5.7 million (a healthy 11.7% of General Fund revenues) by fiscal 2001. General Fund balanced remained at \$5.7 million (10.6% of General Fund revenues) after balanced operations in fiscal 2002. City officials project a slight draw on reserves in fiscal 2003 due to additional snow removal costs during the winter. Although Moody's expects the city to maintain reserves at approximately 10% going forward, the city's Arena Fund, which covers operations of two city-owned ice rinks, has been accumulating a fund deficit for several years, which draws from the city's undesignated General Fund balance (6.7% of revenues in fiscal 2002). Officials expect the Arena Fund to reach balanced operations in fiscal 2004 and begin to turn a profit by fiscal 2005. Property taxes comprise approximately 66% of revenues supported by collection rates averaging close to 96% on a current year basis.

RAPIDLY GROWING TAX BASE

Moody's expects the city's diverse \$2 billion tax base to continue to grow, driven by residential and commercial development. Located in Strafford County (rated A1), the city is located within commuting distance of Portsmouth (rated Aa3/positive outlook) and Portland, ME (rated Aa1), and has a healthy commercial/industrial presence (20% of tax base) of its own. Over the past five years, taxable values have almost doubled, due to development and tax base revaluations. Over the same period, full valuation growth has increased at a rapid 14.2% rate annually. Officials are currently rezoning areas of the city to promote additional commercial and industrial development. The city's economy has fared well, with unemployment (3% for February, 2003) rates below state (4.1%) and national (6.4%) levels. Wealth and income levels approximate state and exceed national averages. Full value per capita is a healthy \$75,642.

MANAGEABLE DEBT POSITION WITH STRONG DEBT POLICIES

Moody's believes the city's debt position will remain manageable given strong debt policies. The city's debt burden is average at 2.8% of full value, falling slightly to 2.5% when school building aid is taken into

account. The city has a written policy to maintain a principal amortization rate of at least 75% in 10 years (currently at a rapid 77.3%). This provides the city with ongoing capacity to issue debt without significantly increasing the debt burden. The city has various other debt policies, including parameters (e.g., city debt will not exceed 65% of legal limit) that serve to keep debt position manageable. Although the city has plans to issue approximately \$5 million in the next two years for landfill remediation that would be exempt from the policies, the issuance will have a negligible effect on debt burden given the size of the tax base and anticipated growth.

KEY STATISTICS:

2000 population: 26,884

2002 full valuation: \$2 billion

Full value per capita: \$75,642

Per capita income as % of state: 98.4%

Median family income as a % of state: 99.1%

Debt burden: 2.8%

Debt burden (adjusted): 2.5%

Payout of principal: 77.3%

FY02 General Fund balance: \$5.7 million (10.6% of General Fund revenues)

FY02 Undesignated General Fund balance: \$3.6 million (6.7% of General Fund revenues)

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